

Frequently Asked Questions (FAQs) on Rural Infrastructure Development Fund (RIDF)

1. What is RIDF?

Government of India created the Rural Infrastructure Development Fund (RIDF) in NABARD in 1995-96 to supplement the efforts of the State Governments for quick completion of incomplete projects relating to medium and minor irrigation, soil conservation, watershed management and other forms of rural infrastructure. Later, the coverage of the RIDF was broad-based in various tranches.

2. What is the source of fund for RIDF?

Funds are sourced from RIDF Corpus instituted by RBI from deposits by Scheduled Commercial Banks linked to shortfall in priority sector lending by them.

3. How are RIDF projects sanctioned?

Proposals under the eligible activity have to be submitted by the Finance Department (Nodal Department) of the State Government to Regional Office of NABARD which scrutinises the proposal and if found in order forwards the same to Head Office for placing before the Project Sanctioning Committee / Internal Sanctioning Committee, as per the loan amount for sanction.

4. What are the eligible activities under RIDF?

There are 36 eligible activities broadly classified under Agri and related Sector; Social Sector and Rural Connectivity Sector.

5. How much loan is given under RIDF?

Loan at the rate of 80 to 95 percent of the eligible project cost is sanctioned depending on the sector.

6. Which are the eligible institutions for RIDF loan?

State Government / Union Territories, State Owned Corporations / State Govt. Undertakings, State Govt. sponsored / Supported Organizations, Panchayat Raj Institutions / SHGs / NGOs, provided the projects are submitted through the nodal department of State Govt. (i.e. Finance Dept.) are eligible for RIDF loan.

7. How is the loan disbursed

NABARD releases the sanctioned amount on reimbursement basis except for the initial mobilisation advance @ 30% to NE & Hilly States and 20% for other states.

8. Is cost escalation permitted under RIDF?

Cost escalation proposals for certain genuine reasons are considered within two years of sanction.

9. Can a project sanctioned be deleted / withdrawn?

A project sanctioned can be withdrawn / deleted based on the request from the nodal department to the Regional Office of NABARD. However, this must be done as a last resort after exhausting all possible measures to ground the project.

10. What is the rate of interest charged?

It is linked to the prevailing bank rate.

11. What is the repayment period of the loan?

Repayment period for principal amount is 07 years from the date of release of loan including grace period of 02 years. Interest is payable on quarterly basis.

12. What is the security for the loan?

Loans sanctioned under RIDF are secured by the irrevocable letter of authority / mandate executed by State Govt. and registered with Reserve Bank of India / Scheduled Commercial Bank, which is the principal Banker to the State Government (or the irrevocable letter of authority to Govt. of India for adjusting the dues of NABARD from any amount payable to the State Govt. (in the case of Sikkim), Time Promissory Note (TPN) for each release of loan, Execution of unconditional Guarantee from State Governments (Additionally required for support to State Govt. sponsored organization etc.) and acceptance of terms and conditions of sanction.

13. What is the time limit for completion of an RIDF project?

The implementation phase for projects sanctioned is spread over 2-5 years, varying with the type of the project and also location of the State. As against maximum phasing period of 2-3 years for normal projects, a phasing period of 4 years is permitted for projects from North East (including Sikkim) & Hilly States (Jammu & Kashmir, Uttarakhand & Himachal Pradesh). The five years phasing is permitted for major & medium irrigation projects and other stand-alone projects, involving RIDF loan of ₹50 crore and above.

14. Is monitoring of the projects done by NABARD?

The monitoring of projects is taken up by exception through two tools i.e. Desk Monitoring (Off site) and Field Monitoring (on-site).